

Chairman's Statement

I present the annual report of Techwayson Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2005.

For the fiscal year 2004/2005, the Group incurred an audited consolidated loss attributable to shareholders of approximately RMB19 million, as compared with a profit of approximately RMB11 million recorded for the previous year. The audited consolidated turnover has declined by 48% to approximately RMB188 million.

This financial year was a difficult year of the Group. Due to implementation of austerity measures in China, funding sources of certain industries have been tightened up, particularly in automation sectors. Under such circumstances of macro economic environment, the Group has inevitably been affected. Owing to the lukewarm response from the customers in Southeast Asia, the revenue has been in the doldrums. As a result, the Group recorded its first loss since inception.

Despite encountering the difficulties and rigorous challenges, the Group is confident that its business of automation will be improved by taking advantage of the comparatively high economic growth in China. The Group will continue not only to streamline its existing operation and step up cost control measures, but also to enhance its sales force and strengthen its distribution channels and networks. The construction work of the R & D centre is re-estimated to be completed in the first quarter of 2006. Upon completion, the Group expects the R & D centre will generate a revenue which will beef up the sources of income of the Group in 2006. Barring unforeseen circumstances, the Group believes that the current stringent status will turn around.

I would like to take this opportunity to thank our staff for their dedication and our customers for their support over the past years and I look forward to their continuing support.

XIONG Jian Rui
Chairman

Hong Kong, 29 September 2005